Senate Budget & Fiscal Review

Subcommittee No. 3
on
Health, Human Services, Labor, and Veterans Affairs

Senator Wesley Chesbro, Chair
Senator Ray N. Haynes
Senator Deborah Ortiz

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Upon Adjournment of Senate Session
ROOM 112

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Item	***Description***
4280	**Managed Risk Medical Insurance Board, including** • Healthy Families Children's Program • Healthy Families Parent Waiver • Rural Health Demonstration Program • Health-e-App
4260	**Department of Health Services—Selected Medi-Cal Issues, including** • Asset Test • Medi-Cal/Healthy Families Outreach • Express Lane Eligibility • Single Point of Entry • Outstationing

I. 4280 MANAGED RISK MEDICAL INSURANCE BOARD (MRMIB)

A. Background on the MRMIB

Purpose and Description

The Managed Risk Medical Insurance Board (MRMIB) administers programs, which provide health coverage through private health plans to certain groups without health insurance. The MRMIB administers the **(1)** Healthy Families Program, **(2)** Major Risk Medical Insurance Program, and **(3)** Access for Infants and Mothers (AIM).

Total Proposed Governor's Budget

The budget proposes total expenditures of $777.4 million ($1.8 million General Fund, $248.8 million Tobacco Settlement Fund, and $526.8 million in other funds) for all programs administered by the Managed Risk Medical Insurance Board. Of this amount, $7.2 million is for state operations and $770.2 million is for local assistance.

Summary of Expenditures (dollars in thousands)	2001-02	2002-03	$ Change	% Change
Program Source				
Major Risk Medical Insurance (including state support)	$45,011	$40,010	($5,001)	(11.1)
Access for Infants & Mother (including state support)	$71,932	$80,408	$8,476	11.8
Healthy Families Program (including state support)	**$556,231**	**$656,962**	**$100,731**	**18.1**
Totals, Program Source	$673,174	$777,380	$104,206	15.5
General Fund	$155,141	$1,777	($153,364)	(98.8)
Federal Funds	$342,926	$401,735	$58,809	17.1
Tobacco Settlement Fund	$55,272	$248,792	$193,520	350.0
Other Funds	$119,835	$125,076	$5,241	4.4
Total Funds	$673,174	$777,380	$104,206	15.5

A. ITEMS FOR DISCUSSION

1. Update on *Current Year* Enrollment of Children in Healthy Families *(Informational Item Only)*

Background: Through the federal Balanced Budget Act of 1997, President Clinton proposed and Congress adopted, a comprehensive children's health initiative-- the States Children's Health Insurance Program (SCHIP)-- to expand health coverage to eligible low-income children.

California's program—Healthy Families—commenced enrollment of children in July 1998 (up to 200% of poverty**). In 1999, the HFP was expanded to include children up to 250 % of poverty**. **The HFP provides health, dental and vision coverage through managed care arrangements. The benefit package is modeled after that offered to state employees (Cal-PERS). Families pay a monthly premium and copayments as applicable. Eligibility is conducted on an annual basis.**

Budget Act of 2001 Enrollment & Revised Governor's Current Year Budget: The Budget Act of 2001 provided funding to enroll **an estimated 524,848 eligible children by June 30, 2002 for total expenditures of $498.5 million ($126 million General Fund and $52.4 million Tobacco Settlement Funds).**

Governor's Revised Current Year Budget Increase: The Governor's revised current year budget assumes an enrollment level of **558,888 children by June 30, 2002, for an increase in the estimate of 34,040 children or about 6.5 percent over the Budget Act of 2001.**

The revised current-year budget assumes a ***net*** **increase of $37 million** (increase of $20.3 million General Fund and $19.4 million federal Title XXI funds, and a reduction of $4.2 million in Tobacco Settlement Funds) to fund the caseload increase and related adjustments. The Legislature approved this current year General Fund adjustment through the current-year, Section 27 process.

Subcommittee Request and Questions: The Subcommittee **has requested the MRMIB to provide an update on the following:**

- **1.** The current year enrollment rate of children.
- **2.** The HFP's retention rates for those children enrolled in the program.

2. Healthy Families Program for Children—Budget Year Estimate *(Two Issues)*

ISSUE "A"—Baseline Children's Program *(No adjustment for CHDP)*

Governor's Proposed Budget: The budget proposes total expenditures of **$633.9 million ($240.3 million Tobacco Settlement Funds** and $384.6 million federal funds) for the baseline children's program. **The primary adjustment for the baseline program pertains to anticipated caseload increases.**

The budget proposes to fund **an increase of 64,418 children over the revised current year.** This assumes that enrollment **will reach 623,306 children by June 30, 2003**. The total children enrolled figure is based on the sum of three population segments as follows:

2002-03 Caseload (Children & % of Poverty	Estimated Total (As of June 30, 2003)	Increase Over Current Year
100-133%	82,524	371
134-200%	388,733	33,432
SUBTOTAL Up To 200%	**471,257**	**33,803**
201-250%	119,575	18,834
Legal Immigrants	32,474	11,781
TOTALS	**623,306**	**64,418**

The MRMIB anticipates that caseload growth rates for children in families with incomes at or below 200 percent of poverty should level-off since enrollment. In addition, it is estimated that caseload growth rates for children between 201 percent and 250 percent will slow significantly to about 1 percent per month.

The budget year adjustment also assumes the following key adjustments:

- $84.70 (average cost) for health, dental and vision plan payments per child per month (eligible children aged 1 to 19 years). This reflects a slight increase (was $84.54) over the current year and is based on recent invoiced amounts. **The actual monthly rate paid is based on MRMIB negotiating with the participating plans through a model contract process.** Negotiations have recently been completed and the May Revision will reflect adjustments.

  At this time, **26 health plans, five dental plans and one vision plan participate** in the HFP.

- Includes an adjustment **to provide children with two months of continued eligibility in the HFP when a child is transitioning to Medi-Cal coverage.** This **"bridge"** will take effect when the HFP determines at annual eligibility review that the family's income qualifies the child for no-cost Medi-Cal coverage. **(This is part of the state's HFP Waiver.)**

- An adjustment to the federal matching percentage to reflect adjustments made at the federal level. Specifically, **the S-CHIP federal match for California has been slightly reduced** to 65 percent for the federal fiscal year(from October 1, 2002 through September 30, 2003). As such, the weighted federal match for state fiscal year 2002-03 will be 65.25 percent.
- Shifts the entire state funding for the baseline children's program from a mixture of General Fund and Tobacco Settlement Funds as done in the current year, to complete dependence on Tobacco Settlement Fund revenues (along with the federal match).

Subcommittee Request and Questions: The Subcommittee has requested for the MRMIB to respond to the following questions:

- **1.** Please provide **a brief summary** of the budget year caseload estimate.
- 2. Why is the Administration proposing to utilize Tobacco Settlement Funds in lieu of General Fund for the state matching portion?

Subcommittee Staff Comment: Subcommittee staff has raised no issues with the baseline children's budget. **Therefore, it is recommended to approve the baseline children's budget, pending receipt of the May Revision.**

ISSUE "B"—Adjustment to Reflect Elimination of Child Health Disability Prevention (CHDP) Program

Governor's Proposed Budget for Eliminating CHDP: The Administration proposes to eliminate the Child Health Disability Prevention (CHDP) Program as of July 1, 2002 **and shift the caseload to Medi-Cal, the Healthy Families Program and community-based health care clinics who participate in the Essential Access to Primary Care (EAPC) Program.**

The budget proposes ***net*** **savings of $55.8 million in state funds** ($12.3 million General Fund, $39.9 million Tobacco Settlement Fund, and $3.6 million Childhood Lead Poisoning Prevention Fund), **a savings of $6.3 million in federal Title V Maternal and Child Health funds, and an increase of $38.6 million in federal funds** (Title XXI, Title XIX and Title V) **through this program elimination**.

This *net* savings level assumes that: (1) 20,666 children will enroll in the Healthy Families Program; **(2)** 98,997 children will enroll in the Medi-Cal Program; and **(3)** $17.5 million (Tobacco Settlement Fund) will be appropriated for EAPC clinics to provide services to children who are not otherwise eligible for Medi-Cal or Healthy Families. **It should be noted that the figures provided by the Administration, are very sketchy because the state does not have comprehensive CHDP data on caseload, family income levels, or health treatment services.** As such, it is difficult to estimate what the Medi-Cal or Healthy Families programs enrollment uptake will be, or

the costs to be incurred under the EAPC Program if this CHDP Program elimination occurs.

Numerous key questions on how this proposal would be crafted still remain. For example, what will be done to facilitate the enrollment of existing CHDP children into Medi-Cal and Healthy Families? Will the EAPC clinics receive caseload and service utilization adjustments in future years as presently calculated in the existing CHDP Program? How will beneficiary access to services be maintained when there is a much more limited universe of providers (about 320 EAPC clinic sites participate in CHDP currently versus a total of 4,100 CHDP providers overall)?

The Governor has directed Director Diana Bonta' to convene discussion groups to discuss potential opportunities and challenges if the CHDP were to be restructured. These groups are presently meeting. As such, the Administration states that a more comprehensive proposal may be forthcoming at the time of the May Revision.

Governor's Proposed Budget—HFP Adjustment for CHDP: **The budget provides an increase of $15.4 million ($5.9 million Tobacco Settlement Fund) in the Healthy Families Program to cover the cost of 20,666 projected new children who are estimated to enroll due to this proposal.** Again, because no definitive data is available to discern how many children would actually enroll in the HFP, this figure just represents a placeholder at this time.

Subcommittee Request and Questions: The Subcommittee has requested the MRMIB and DOF to respond to the following questions:

- Please provide **a brief summary of the HFP portion of the Administration's proposal to eliminate the CHDP Program.**

Budget Issue: Does the **Subcommittee want to defer (hold open) this issue pending further discussions with constituency groups and the Administration** regarding the potential restructuring of the CHDP and Medi-Cal programs, **or take action today?**

3. Healthy Families—Waiver for Parents to 200% of Poverty *(ISSUES "A" to "C")*

Overall Background on Waiver Approval and Expansion: The federal government **approved the state's Healthy Families Program (HFP) Waiver on January 25, 2002. However, approval of the Waiver is conditioned upon compliance with special terms and conditions which are still awaiting federal CMS approval.**

The approved Waiver will extend HFP eligibility to uninsured parents, including legal immigrants, of children eligible for (1) the HFP with family incomes up to 200 percent of the federal poverty level, and **(2)** the Medi-Cal for Children Program (this includes several eligibility categories) up to 200 percent of the poverty level. The

eligibility of the parent is tied to the eligibility of the child. **Parents would qualify for HFP without regard to family assets.** Parents with employer-sponsored coverage in the past three months would not be eligible.

There are two hypothesis being tested under the Waiver. First, it is thought that a greater percentage of eligible **children will be enrolled in the HFP if coverage is offered to the parental decision-makers in the household.** Second, it is believed that the **continuity of children's coverage will be increased in the HFP**, if coverage is offered to the parental decision-makers in the household.

In a January 29, 2002 letter, Susan Kennedy directed the Managed Risk Medical Insurance Board (MRMIB) to take the necessary administrative steps to implement the program such that when funds become available to enroll parents they can be enrolled quickly. It further states that Governor Davis will be working with the Legislature to identify funds to enroll eligible parents.

At full implementation, it is estimated that 337,000 parents will be eligible for enrollment (at 200%). The proposed HFP expansion is not an entitlement. Parents will only be covered to the extent funding is available. The coverage of children would continue to be fully funded.

Overview of Waiver Program Design: The program is designed to operate in the same fashion as the existing HFP. The benefits package will be based on the state employee plans for health, dental, and vision. The monthly premiums would be as follows:

Healthy Families Plan	Premium Up to 150%	Premium 150% to 200%
Standard	**$34 total per month**	**$58 total per month**
Two Parents	**($20)**	**($40)**
Two Children	**($14)**	**($18)**
Community	**$22 total per month**	**$46 total per month**
Two Parents	**($14)**	**($34)**
Two Children	**($8)**	**($12)**

For a family at 100% of poverty (about $17,064 annually), HFP premiums would equate to about 2.4 % of their annual income. For a family at 150% of poverty (about $25,600 annually), HFP premiums would equate to about 2.7 % of their annual income. With respect to copayments, a maximum cap of $250 (annual) per family will apply. **These are the same levels as agreed to during budget deliberations last year.**

ISSUE "A"—Federal Special Terms and Conditions for Waiver & Coordination with Private Health Insurance *(Informational Only)*

Background: As noted above, the federal Terms and Conditions for the Waiver are still pending completion.

In addition, the federal CMS has requested the state to coordinate with private health insurance coverage as a feature of the HIFA demonstration Waiver. In response to this, **the state has proposed to conduct a feasibility study about coordinating the HFP with private, employer-based health insurance coverage.**

According to the Administration, the feasibility study will describe a model for premium assistance that is tailored to the characteristics of California's employer and insurer marketplace and will specify the implementation strategy. It is anticipated that the study will take 18 months to design, conduct and finalize. Further, it is assumed that the regular monthly MRMIB Board meetings will serve as a public forum for consultation with constituency groups. It is also stated that work on the study will commence when the parents coverage program is operational.

Subcommittee Request and Questions: The Subcommittee has requested the MRMIB to respond to the following questions:

- **1.** Please provide **a brief update** on the status of the Terms and Conditions. When will they be completed and **what key issues are still being discussed?**
- **2.** Please provide **a brief description of the key issues** that the feasibility study will assess.

ISSUE "B"—Status Update on Pre-Enrollment Waiver Activities *(Informational Only) (See Hand Outs)*

Background (See Hand Out): The MRMIB and DHS have been proceeding with numerous administrative activities in preparation to implement the HFP Waiver. **The Board took a key action by formally adopting the regulations to implement the Waiver in its February 27, 2002 meeting.** This regulation package is slated to be filed with the Office of Administrative Law by mid-April.

Subcommittee Request and Questions: **The MRMIB and DHS have provided the Subcommittee with a timetable for completing key activities.** As such, the Subcommittee has requested them to provide a **brief update** on these activities and to **respond to the following questions:**

- **1. Please provide a brief update** on these activities.
- **2.** Of the key activities, **are there any which may be more difficult to complete than others?** Is so, please explain.
- **3.** Will ***all*** of the activities be completed to commence implementation by July 1, 2002, or is that date somewhat optimistic?

ISSUE "C"—Required Funding for Waiver Implementation

Background and Expenditure Estimate: At the **request of the Subcommittee**, the MRMIB has provided a budget year estimate of expenditures for implementation of the Waiver. If the Subcommittee wants to proceed with implementation of the Waiver, **an increase of $88.5 million (General Fund) would be needed to serve a projected total of 202,178 parents for 2002-03. Total expenditures would be about $241.8 million ($88.5 million General Fund and $153.3 million federal funds).**

This estimate **assumes the following key attributes:**

- A **July 1, 2002 implementation date**.
- A total of **202,178 parents enrolled as of June 30, 2003** (end of the fiscal year). This equates to **about 60 percent of the total estimated eligible parent population**. This enrollment level assumes that 143,036 parents are linked to children enrolled in the HFP, including 7,984 legal immigrant parents, and 59,142 parents are linked through children in Medi-Cal.
- Includes expenditures for certain program costs, including the Administrative vendor (payment processing), a two-month **bridge** from HFP to Medi-Cal, and HFP handbooks. **All of these assumptions are consistent with the existing HFP for children program.**
- Assumes that payments to health, dental and vision plans will average about $176.35 per month (for parents). (This rate level will be adjusted at the May Revision based on recently completed HFP rate negotiations.)

Alternative Implementation Dates: If implementation of the Waiver cannot occur as of July 1, the level of funding required for later implementation would be reduced by about $13 million (General Fund) per month. **For example, an August implementation date would cost $75.6 million (General Fund), or about $13 million less than a July 1 start date.** Accordingly, a January, 2003 (mid-year implementation) implementation date would cost about $24.7 million (General Fund), or about $63.8 million less than a July 1 start date.

Federal Fund Availability (See Hand Out): At the request of the Subcommittee, MRMIB has provided a projected five-year **federal fund** chart which is based on current federal law. This chart provides an ***estimate*** of:

- California's federal allotment amount for each federal fiscal year (second row);
- Any unexpended carryover funding from prior federal allotments (third row);
- Total federal funds available by federal fiscal year (fourth row);
- The estimated federal funding expenditure for children for each year (seventh row);
- The estimated federal funding expenditure for parents for each year (tenth row);
- Total estimated federal fund expenditures for each year (twelfth row);
- Total estimated unexpended federal funds to be carried forward to the next year (fifteenth row)

This chart shows that commencing with federal fiscal year 2006, the federal S-CHIP funds (Title XXI) will not provide sufficient support to fully sustain both the childrens' and parents' programs at their fully projected levels. As noted by comparing the children's costs and parent's costs (see rows 7 and 10) for federal fiscal years 2005 and 2006 (see columns 8 and 9), the children's costs continue to increase, while the parent's costs must decrease to stay within the appropriation level. If this decrease for parental costs did not occur, the federal funds would be over spent, which cannot occur.

Subcommittee Request and Questions: The Subcommittee has requested the MRMIB to respond to the following questions:

- **1.** Is the Administration actively pursuing federal law changes which would enable California to either carryover or retain more of its unspent federal funds?
- **2.** Can any portion of the remaining unexpended federal funds be used for a public health initiative or for providing a federal match for certain county-sponsored health programs as proposed under AB 495 (Diaz), Statutes of 2001? If not, why not?
- **3.** Do you have any comments that you would like to make regarding implementation of the Waiver?

Budget Issue: Does the Subcommittee want to increase the Healthy Families Program budget by **$241.8 million ($88.5 million General Fund and $153.2 million federal funds) to provide health, dental and vision care coverage to 202,178 parents who would be eligible to enroll in the HFP Waiver program?**

4. Medi-Cal to Healthy Families Bridge—for Waiver Parents up to 200% *(See Hand Out)*

Background--Eligibility "Bridge" Under the HFP Children's Program: The budget includes funds for the Medi-Cal Program to offer an additional two-months of coverage for children leaving the Medi-Cal Program and transitioning to the HFP. In turn, the HFP will offer an additional two-months of coverage to enable transitioning children to obtain Medi-Cal coverage, when appropriate.

HFP Waiver—Need for Medi-Cal Bridge: The HFP Waiver provides for the two-month bridge for transitioning parents to both programs as well. **As such, funding for the Medi-Cal Program piece of the bridge is needed if the Waiver is to be fully implemented in the budget year.**

Budget Issue: Does the Subcommittee **want to provide an increase of $5.8 million (General Fund)** for total expenditures of $16.7 million ($5.8 million General Fund and $10.9 million federal Title XXI funds) to provide for the two month Medi-Cal to HFP bridge?

5. Conforming Medi-Cal to Healthy Families—*Annual Redeterminations*

Background (See Hand Out): Currently, children enrolled in Medi-Cal or HFP under go an **annual redetermination.**

As such, under California's Waiver submittal to the federal government in Spring 2001, the state proposed to use an annual redetermination process for parents to be enrolled in the HFP and Medi-Cal. However, the federal CMS told the state to remove continuing eligibility for Medi-Cal adults from the Waiver and to **instead, submit a Medi-Cal State Plan Amendment (SPA) as the means to do this change.**

Subsequently, the state submitted a SPA (in August 2001) as requested. In response, the federal CMS requested additional information. Specifically, they wanted to know if there would be any increased federal fund need due to the proposed change, and wanted assurances that Medi-Cal applicant and recipients would be treated similarly.

In response to the CMS request, the DHS noted that since the state had eliminated the Quarterly Status Report requirements (effective as of January 1, 2002 as contained in the Budget Act of 2000), there would be no federal (nor state) budget affect. Second, the DHS states that there is no comparability problem because the income standard used for determining eligibility within the 1931 (b) program is consistent with federal law.

According to the DHS, the federal CMS has 90-days to respond to the state's February 15, 2002 letter.

Subcommittee Request and Questions: The Subcommittee has requested the DHS to respond to the following questions:

- **1.** Please provide a **brief update** on the SPA and any further communication with the federal CMS.
- **2.** If the SPA is not approved, will the state be submitting an 1115 Waiver request to the federal CMS? If so, when may that occur?

6. Conforming Medi-Cal to Healthy Families—*Asset Test (See Hand Out)*

Background and Legislative Concern: Through legislation enacted in 1997, the asset test was removed for all children enrolled in Medi-Cal. **However the cumbersome test is still in effect for adults (Medi-Cal 100 percent of poverty level), though the Legislature has worked for its elimination for the past three years.**

Under the HFP Waiver, the need for its elimination becomes even more glaring because families with incomes above 100 percent of poverty are exempt from asset test review, leaving only the poorest of parents to undergo it. These parents have such low-incomes they very rarely have significant assets.

As such, millions of dollars are wasted in administrative processing costs. In fact, based on fiscal information provided by the DHS during deliberations on the Budget Bill for 2001, a savings of about $8.5 million ($4.25 million General Fund) was identified if it were eliminated.

Constituency groups note that the unequal treatment across income groups (higher incomes not tested), as well as within families (all children are exempt from the test), will only serve to complicate the enrollment process and act as a barrier for enrollment. Extensive research has shown that enrollment practices people find demeaning or burdensome will deter participation.

Further, the antiquated policy adds to the dilemma of "split families". Under the Waiver, a child might be enrolled in Medi-Cal but the parent could be enrolled in the HFP due to assets.

Budget Issue: Does the Subcommittee want to **(1)** adopt trailer bill language to eliminate the asset test in the Medi-Cal Program, and **(2)** reduce the Medi-Cal budget by $8.5 million ($4.250 million General Fund) to reflect overall net savings?

7. Submittal of Supplemental Waiver for Parents from 201% to 250%

Background: Existing state statute requires **the Administration to submit a supplemental Waiver for the enrollment of parents with family incomes from 201 percent to 250 percent.**

In August, 2001, the federal CMS released a new initiative to expand access to health care coverage for low-income individuals through Medicaid (Medi-Cal) and the State Children's Health Insurance Program (S-CHIP) demonstrations. This new Health Insurance Flexibility and Accountability (HIFA) Initiative is intended to promote state flexibility in providing health care coverage and expedited federal review of Waiver requests.

Among other things, the federal CMS guidelines for HIFA Waivers reflect that they are intended for income levels at or below 200 percent of the federal poverty.

Subcommittee Request and Questions: The Subcommittee has requested the MRMIB to respond to the following questions:

- **1.** When will the **Administration be submitting the Waiver amendment to include parents with incomes between 201 percent to 250 percent of the federal poverty?**
- **2.** Do you have **any perspective on how the federal CMS may respond?**

8. The Rural Demonstration Projects (RHDP)—Proposed Elimination

Background: The Rural Health Demonstration Projects, **enacted into law in 1997**, **are vital projects and have been used to develop and enhance existing health care delivery networks for special populations and to address geographic access barriers.** For the past three fiscal years, the annual appropriation has been $6 million ($ 2 million General Fund and $4 million federal Title XXI funds), with funding equally split between the two areas—special populations, and geographic access.

Funding for the **special populations projects** is made available to projects located in rural and urban communities that have high concentrations of migrant and seasonal farm workers, and workers in the fishing and forestry industry and American Indians.

Funding for geographic access projects is made available to projects located in Rural Medical Services Study Areas (area with a population density of less than 250 persons per square mile and with less than 50,000 people within the area).

Specifically, the funds have been used to extend community clinic hours, expand telemedicine applications, provide bilingual specialty health care services, provide mobile medical services and dental services, provide health education and nutrition counseling, and rate enhancements to increase HFP provider networks in remote areas, including San Bernardino and Riverside counties.

For the current year, 28 projects were funded under the special populations strategy and 29 projects were funded under the geographic access strategy. These projects were suppose to be funded on a two-year basis (i.e., through June 30, 2003).

Subcommittee Staff Comment: The Rural Demonstration Projects have been highly successful and have received nationwide accolades for their effectiveness and innovation. With the pending implementation of the Waiver, it would seem that these projects are even needed more with families seeking comprehensive health care. In addition, the state receives a 65 percent federal match for these projects.

Governor's Proposed Budget: The budget proposes to eliminate the Rural Health Demonstration Project funds used in the Healthy Families Program **for savings of $6 million ($2 million General Fund and $4 million federal Title XXI funds). This proposed elimination would cut short existing contracts which are scheduled to operate through June 30, 2003.**

Subcommittee Request and Questions: The Subcommittee has requested the MRMIB to respond to the following questions:

- **1.** Please provide a **brief description of the different types** of Rural Health Demonstration projects.
- **2.** Please **summarize the key components of the evaluation** which was recently completed regarding the projects.
- **3.** Have the Rural Demonstration Projects been successful?

Budget Issue: Does the **Subcommittee want to provide funding for the Rural Demonstration Projects or approve the budget which would eliminate the projects?**

9. Medi-Cal & Healthy Families Program Outreach *(See Hand Out)*

Governor's Proposed Budget (See Hand Out): A total of **$32.7 million ($11.1 million General Fund), including almost $3.8 million in foundation funds coupled with matching federal funds, is proposed for expenditure in the budget.**

This reflects **a reduction of $10.3 million when compared with the revised current year, and a reduction of $20.7 million ($4.1 million General Fund) when compared to the Budget Act of 2001.**

Specifically **the Administration proposes to:**

- Eliminate all advertising targeted to the children's program for a reduction of $3.3 million
- Eliminate $1 million for advertising targeted to parents (Their January budget proposal did not include funding for the parental Waiver.)
- Reduce by $4 million the amount allocated for Application Assistance Fees for children, and reduce by $400,000 funding for Payment Processing Fees. The DHS states that this adjustment is due to a revised estimate of need, and is not a reduction intended to limit Application Assistance Fees.
- Reduce by $1.4 million the amount allocated for Application Assistance Fees for parents
- Reduce by almost $500,000 funding for the 1-800 toll free line

Current Year One-Time Only Funds: **It should be noted that the state was able to capture about $38.6 million in one-time only additional federal funds last year** due to federal action regarding the S-CHIP 10 percent cap. As such, the state used (1) $22 million for county outreach (which required a county match), (2) $7.4 million for various outreach functions, and (3) $10.8 million to pay off prior year deficits (i.e., when the state went over the 10 percent cap, and the state had to use 100 percent General Fund support).

Subcommittee Request and Questions: The Subcommittee **has requested the DHS and MRMIB to respond to the following questions:**

- **1.** Please provide **a brief overview** of the Administration's proposal.
- **2.** Please provide a brief update on the school-based outreach activities.
- **3.** If needed, could the school-based outreach or community-based outreach also be focused on parent enrollment as well as children's enrollment ?
- **4.** From a technical assistance standpoint, if the Waiver is implemented, what adjustments may be needed with respect to Application Assistance Fees, outreach and education efforts?
- **5.** Will the Medi-Cal & HFP Outreach Report be provided to the Legislature in April as required by statute?

Budget Issue: Does the **Subcommittee want to (1)** make any adjustments to the proposal, or **(2)** approve the proposal pending receipt of the May Revision?

10. "Health-e-App" Implementation (DHS and MRMIB)

Background and Statewide Implementation: The California HealthCare Foundation (CHCF) created an automated, electronic, **internet-based application processing system call Health-e-App.** The CHCF conducted a pilot in San Diego County to demonstrate the benefits of the application to the state. Preliminary findings revealed that Health-e-App improves the Medi-Cal and Healthy Families application process by enhancing customer service, efficiency, accuracy, and accountability.

Given Health-e-App's success in the pilot, **the California Health and Human Services Agency (CHHS Agency) has begun** a statewide implementation process for Health-e-App. This implementation will be conducted in several steps.

First, the state will enroll those enrollment entities (EEs) with the highest volume of claims in groups of 20. These EEs will get trained on Healthy-e-App primarily through an on-line connection and with the assistance of the EDS Help Desk. The state has also developed a web site at www.dhs.ca.gov/health-e-app to provide both EEs and the counties with information to assist in implementing the Health-e-App. In addition, the state is developing a promotion plan to help ensure that EEs and Certified Application Assistors use Health-e-App.

Once enrolled the Certified Application Assistors will be able to use the "front-end" of the system to capture the applicant's personal information onto the application electronically, which is then transmitted to the Single Point of Entry (currently EDS) for an initial eligibility screening.

Second, the state will then contact all EEs in selected counties. Counties will be **selected based on their progress in developing the "back-end" or county interface** part of the system. **According to the CHHS Agency, counties have the option to install the Health-e-App county interface, but will likely have to dedicate funds for this function. As such, a critical component for success with the counties will be their ability and willingness to develop the "back-end" interface.**

With this "back-end" programming, the application information sent from the Single Point of Entry will automatically update a county's case data system. If the county does not have the interface, the application will be printed out (at the Single Point of Entry) and forwarded to the county as a paper application**. Currently, San Diego is the only county that has the "back-end" interface.**

The CHHS Agency has provided the following **Health-e-App implementation** schedule:

Enrollment Entity	**Anticipated Date**
Remainder of San Diego Central Region	February 11, 2002
Butte County Consortium	February 13, 2002
Top 20 EEs	February 26, 2002
EEs within Counties w / interface	March 11, 2002
Next 20 EEs (from Top 100)	April 1, 2002
EEs within Counties w / interface	April 22, 2002
Next 20 EEs (from Top 100)	May 13, 2002

Enrollment Entity	Anticipated Date
EEs within Counties w / interface	June 3, 2002
Next 20 EEs (from Top 100)	June 24, 2002
EEs within Counties w / interface	July 15, 2002
Next 20 EEs (from Top 100)	August 5, 2002
EEs in Remaining Counties	August 26, 2002

Other Adjustments Needed: The CHHS Agency notes that there are several items that will require minor changes to the Health-e-App, but these updates will not be made until the parent Waiver expansion version is released.

Current Year Funding: The revised 2001-02 budget provides a total of almost $1.2 million ($217,000 General Fund) **for the MRMIB and DHS** to fund the local assistance costs of the Health-e-App process. In addition, $90,773 ($22,700 General Fund) was provided for state support costs.

Budget Year Funding: The budget does not propose a local assistance appropriation, but does continue the support funding.

Subcommittee Request and Questions: The Subcommittee **has requested the Administration to respond to the following questions:**

- **1.** Please provide **a brief overview of how the Health-e-App functions.**
- **2.** Specifically, **what is needed for counties to do the "back-end"?**
- **3.** Could the system be further developed to interface with Medi-Cal?
- **4.** Is the Administration anticipating a May Revision adjustment to further implement the Health-e-App?

11. Discussion and Clarification of Single Point of Entry and Accelerated Eligibility *(See Hand Outs)*

Overall Background: Over the past several years, a clear universal theme has been that the applications and enrollment processes for Medi-Cal and the HFP need to be shorter, more simple and function as a seamless system. As such, several changes have been enacted to make improvements. **These include: (1) a Single Point of Entry, (2) Express Lane Eligibility, and (3) Accelerated Eligibility.**

Overall Background—Single Point of Entry (See Hand Out): Under the "Single Point of Entry" (SPE) process, initiated in 1999, **joint applications** (Medi-Cal for children and the existing HFP) are sent to a contractor (EDS as the Administrative Vendor) and **an initial income eligibility screen** is conducted. **Under the proposed budget, a unique Client Index Number (CIN) will be assigned to all children and parents (under the Waiver) in the household that are applying for health care. This CIN will allow linkage with the state's Medi-Cal Eligibility Data System (MEDS).**

At this time, if applicable, children who may be eligible for Medi-Cal are given *Accelerated Eligibility* until a full determination is made by the county. This process is to commence as of July 2002.

Based on this initial screen, the application is either forwarded to the HFP contractor (currently EDS) for processing, or sent to the appropriate County Department of Social Services (County DSS) for Medi-Cal processing.

County Department of Social Services Processing Under Single Point of Entry:
Generally, the County DSS has up to 45-days to approve or deny Medi-Cal when eligibility is not based on a disability. **According to federal law, this 45-day processing standard must cover the period from the date of application to the date the agency mails notice of its decision to the applicant.**

The County DSS processes the children's case immediately, requests additional information to aid parents, and reports application information to MEDS. The Single Point of Entry will review MEDS on a monthly basis for tracking purposes. **If the child or parent is deemed ineligible or eligible for Medi-Cal with a share-of-cost, the County DSS refers them back to the HFP for eligibility determination.** If the child or parent is deem eligible for Medi-Cal, they are enrolled on the first of the month of the application (and are eligible for up to 3 months ***prior*** to the month of application.)

Healthy Families Program—Processing Under Single Point of Entry: The Administrative Vendor (currently EDS) **is to determine HFP eligibility within 10 days if all of the following conditions are met:**

- The application is complete;
- At least one month premium is provided;
- Income documentation is provided; and
- A health and dental plan is selected.

If information is missing, the HFP applicant is contacted. They must provide the requested information within 20-days or the application is denied. If the individual is eligible, HFP coverage starts no later than 10 days after they are determined eligible.

There is no accelerated eligibility offered under the HFP, and no retroactive benefits are available. Medi-Cal provides for an accelerated eligibility enrollment and reimbursement coverage for up to three months prior to enrollment.

Single Point of Entry Statistics: According to the MRMIB's February 2002 report, the Single Point of Entry process has:

- Processed 670,328 applications (cumulative)
- Forwarded almost 60 percent of these applications to the Healthy Families Program
- Forwarded about 26 percent of these applications to the Medi-Cal Program
- Forwarded almost 11 percent to both programs

Further, of the applications processed via the Single Point of Entry, 61 percent were processed with assistance, and 39 percent were processed without assistance.

Governor's Proposed Budget—Single Point of Entry: The budget provides a total of almost **$15.1 million ($7.5 million General Fund) in the MRMIB item** to fund the Single Point of Entry process. This level of funding reflects a nominal increase (less than $100,000) over the current year level.

Of the total amount, about $12 million is for telephone services and about $3.1 million is for processing of applications forwarded to Medi-Cal. This assumes that an average of 12,040 applications are processed per month.

Background on Accelerated Eligibility: The omnibus health trailer legislation to the Budget Act of 2001 provided for Accelerated Eligibility under the Medi-Cal Program. **As such, beginning July 2002 all children applying at the Single Point of Entry who appear eligible for no-cost Medi-Cal as a result of the screening process will be enrolled in fee-for-service, full-scope Medi-Cal.**

A Medi-Cal Benefit Identification Card will be mailed to the family (for the child) for use while the County DSS makes a final determination of their eligibility. The beneficiary is to be tracked using the Medi-Cal Eligibility Data System (MEDS). **The Accelerated Eligibility for the child will end when the County DSS sends a MEDS transaction either approving (i.e., on-going enrollment in Medi-Cal as applicable) or denying the child.**

Governor's Proposed Budget—Accelerated Eligibility: The budget proposes **an increase of $12.2 million** ($6.1 million General Fund) to provide funds for those children enrolled in Accelerated Eligibility who do not become eligible for on-going Medi-Cal. **This estimate assumes that two months of coverage will be provided and that about 23 percent will not become eligible.** According to the DHS, the primary reason children are not enrolled in Medi-Cal on an ongoing basis is due to a lack of follow-up in providing needed information/documentation.

Subcommittee Request and Questions: The Subcommittee has requested the MRMIB and the DHS to respond to the **following questions:**

- **1.** Will **Accelerated Eligibility be up and operational by July 1, 2002,** including all of the system changes needed to have a smooth operation?
- **2.** How does the **DHS and MRMIB track individuals through the Single Point of Entry process who are not eligible for Medi-Cal** (or who would have a share of cost) **and are referred back to the HFP for eligibility determination?**
- **3.** Does **the DHS know if the state is meeting the federally required 45-day Medi-Cal application processing timeline** through the Single Point of Entry process?

12. Discussion and Clarification of Express Lane Eligibility *(See Hand Out)*

Background: AB 59 (Cedillo), Statutes of 2001, established a statewide pilot, **effective July 1, 2002,** to provide Express Lane Eligibility to children qualified to receive free meals through the National School Lunch Program (children under 133 percent of poverty receive free meals, and children between 134 percent and 185 percent receive reduced price meals). **Children under the age of 6 shall be deemed income eligible for Medi-Cal and children who are younger than 6 years must be determined income eligible for Medi-Cal.**

This legislation also created a process to authorize consent for the release of information on applications for free lunches to County DSS and authorizes them to quickly enroll children in Medi-Cal upon receipt of such information from school districts.

As shown on the Hand Out, parents will be offered the option of using the National School Lunch Program application as an initial application for Medi-Cal (for no share-of-cost). **With their consent, the school would then do an income screen and make a determination about Express Lane enrollment into Medi-Cal. The information would then be sent to the County DSS who would (1)** issue a temporary Medi-Cal benefits card for full-scope benefits, and **(2)** obtain additional documentation to determine ongoing Medi-Cal eligibility. **Children would continue to receive full-scope Medi-Cal until the County DSS completes its determination.**

The only exception to this is for children who are income eligible and already enrolled in emergency-only benefits. These children will continue in Medi-Cal with those limitations unless additional immigration information is obtained.

Technical Language Clean-Up for Program Implementation (See Hand Out) and Related Changes/Fixes: The DHS states that in order to implement the legislation, schools will need to do accelerated enrollment based upon the income information on the school lunch form. As such, the DHS has drafted some minor language changes to the existing statute.

In order to implement AB 59, **the school lunch application will need to be revised** to include a check box to indicate that the parent(s) want Medi-Cal for their children, and boxes to indicate the relationship of each member of the household to determine family size, countable family income, and an optional field for the child's social security number.

Implementation is subject to approval of a Medi-Cal State Plan Amendment (SPA) which would designate schools determining free National School Lunch Program eligibility as a qualified Medi-Cal entity.

Governor's Proposed Budget: **The budget proposes increases of (1)** $23.4 million ($11.7 million General Fund) for health care services, **(2)** $2.8 million ($1.4 million) on a one-time only basis for county administration of application intakes, and **(3)** $825,000 ($412,500 General Fund) for ongoing county administration. Subcommittee staff raised no issues with these proposed amounts for the budget year.

Subcommittee Request and Questions: The Subcommittee has requested the DHS and MRMIB to respond to the following questions:

- **1. Please clarify how schools are going to conduct the initial Medi-Cal income screening.** Are schools willing to participate?
- **2.** How will the County DSS follow up to obtain the additional documentation?
- **3. Are there any other challenges or changes** that are needed to the program in order for it to operate smoothly and to commence as of **July 1, 2002**, including approval of the State Plan Amendment?

13. Outstationing of Medi-Cal Eligibility Workers—Elimination of Perinatal

Overall Background: Eligibility workers have historically been placed in hospitals and health care clinics in order to facilitate recipient enrollment in Medi-Cal. This process has assisted both the recipient and provider by improving access to health care services and by securing payment for the services.

Many studies have demonstrated that application sites outside the welfare office **can greatly assist in enrolling eligible children and adults in Medi-Cal.** Recent studies by the Kaiser Commission on Medicaid and by George Washington University find that parents say they are much more likely to enroll children in Medicaid if they could do so in convenient locations within the community, such as a clinic or school.

Further, the need for outstationing assistance has grown in importance as an increasing number of persons who are not eligible for either case assistance or food stamps can establish eligibility for Medi-Cal and do not otherwise have a need to go to a County DSS office.

Federal Medicaid law, Section 1902 (a)(55) of the Social Security Act, requires states to meet certain outstationing requirements. **In general, unless a state has provided the federal CMS with an alternative plan for outstationing, it must establish outstation locations at all Federally Qualified Health Centers (FQHCs), including Rural Health Centers and Indian Health Centers, and at disproportionate share hospitals (DSH).**

While federal regulations give states flexibility to determine how best to comply with the outstationing requirements, states must comply with certain mandatory requirements. For example, the regulations do not require states to outstation staff at every satellite site operated as an FQHC or DSH on a full-time basis. **However, it does require a commitment to provide some modicum of outstationing at *each* FQHC, DSH, Indian Health Centers and Rural Health Center site.**

Current State Funding and Activities: According to the DHS, California **has a total of $28.4 million** ($14.2 million General Fund) **in the current year** budget for outstationing activities. This funding supports about **290 county positions overall. Of these positions, about 98 are doing outstationing activities for perinatal enrollment. Outstationing occurs at about 180 FQHC and DSH sites and at about 116 perinatal sites.**

It should be noted that outstationed workers must meet the same county productivity standards as workers located in a County DSS office. Meeting these productivity standards at outstationing locations is nearly impossible since the eligibility worker must travel to and from the site, and is often required to answer questions regarding other programs, such as CalWORKS, in addition to doing Medi-Cal eligibility processing.

Subcommittee Staff Comment: According to data provided by the DHS, a significant portion of the **children utilizing the Child Health Disability Prevention (CHDP) Program are aged one and under (i.e., 333,374 infants/toddlers, or 30 percent of the total 1.1 million CHDP children).** With the Administration's budget proposal to eliminate CHDP as currently structured, it seems disingenuous to significantly reduce outstationing for perinatal assistance. It would appear that increased enrollment assistance would be needed, particularly for this age group, in order to transition individuals from the CHDP to Medi-Cal and more comprehensive health care.

Governor's Proposed Budget: The budget proposes **to reduce by $8 million ($4 million General Fund) the resources available for outstationing. The DHS states that this reduction will be eliminating most of the optional perinatal outstationing. Since actual costs for perinatal are about $9.6 million (total funds), this would leave about $1.6 million ($800,000 General Fund) for allocation in the budget year.**

According to the DHS, a **"perinatal site"** is defined as a "Maternal and Child Health Comprehensive Community-Based Perinatal site". **Examples of the sites** that would be affected include the following

- Ukiah Valley Perinatal Program
- Great Beginnings Prenatal Clinic (Solano)
- Marin Maternity
- University of San Francisco
- Mercy General Hospital (Sacramento)
- North Highlands Planned Parenthood (Sacramento)
- Eastside Health Center (Riverside)
- Fontana Clinic (San Bernardino)
- Alameda Planned Parenthood—Oakland (West)
- Fifteen various sites in Los Angeles

Subcommittee Request and Questions: The Subcommittee has requested the DHS to respond to the following questions:

- **1.** Is California **currently meeting its federal mandate for outstationing?**

- **2.** How does the **state monitor the County DSS with respect to outstationing?**
- **3. Please briefly describe the perinatal sites and their function.**
- **4.** How many perinatal sites would be maintained if the reduction is taken?

Budget Issue: Does the Subcommittee **want to sustain or deny the budget proposal** to reduce by $8 million ($4 million General Fund) the resources used to provide outstationing assistance for perinatal enrollment in Medi-Cal?

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